



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business & Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF SCIENCE IN INFORMATION AND TECHNOLOGY  
BACHELOR OF BUSINESS ADMINISTRATION  
BACHELOR OF COMMERCE

**BAC 4101/HBC 2125: INTRODUCTION TO MACRO ECONOMICS**

END OF SEMESTER EXAMINATIONS

**SERIES:** APRIL 2015

**TIME:** 2 HOURS

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

*This paper consists of Two printed pages*

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**QUESTION 1 (Compulsory)**

- a) i) Explain any **THREE** factors that influence the level of consumption expenditure in a country. **(6 marks)**
- ii) Determine the equilibrium level of National Income for an economy in which the marginal propensity to consume is 0.8, autonomous consumption is Ksh. 200, and investment expenditure is Ksh. 100 at each possible level of income.
- b) i) Distinguish between economic growth and economic development. **(4 marks)**
- ii) Highlight **FOUR** characteristics of underdeveloped countries. **(6 marks)**

- c) i) Explain **THREE** ways in which countries could place barriers against international trade. (6 marks)
- ii) Outline **TWO** characteristics of good money. (4 marks)

## QUESTION 2

- a) State **TWO** differences between the GDP deflator and the consumer price index. (4 marks)
- b) Distinguish between demand pull inflation and cost push inflation. (6 marks)
- c) Explain **FIVE** policy measures that a country can use to control inflation. (10 marks)

## QUESTION 3

- a) Explain **FIVE** factors that determine the level of national income of a country. (10 marks)
- b) Distinguish between Gross Domestic Product and Gross National Product. (4 marks)
- c) In a certain simple economy, the marginal propensity to save is 0.3 and the autonomous consumption equals 700.

### Required:

- i) Determine the marginal propensity to consume.
- ii) Formulate the consumption function.
- iii) Determine the savings function. (6 marks)

## QUESTION 4

- a) What is unemployment? (2 marks)
- b) Discuss any **FOUR** types of unemployment experienced in your country. (8 marks)
- c) Explain any **FIVE** measures a country can implement to deal with the problem of unemployment. (10 marks)

## QUESTION 5

- a) Explain the concept of injections and withdrawals as used in macroeconomics. (6 marks)
- b) Explain for monetary policy instruments used to control and regulate money supply in an economy. (8 marks)
- c) Explain the reasons for holding money balances by an individual. (6 marks)